

The Biggert-Waters Flood Insurance Reform and Modernization Act of 2012

In July 2012, the U.S. Congress passed and President Barack Obama signed into law the Biggert-Waters Flood Insurance Reform Act of 2012, which reauthorized the National Flood Insurance Program (NFIP) through September 30, 2017. The NFIP is a federal program administered by the Federal Emergency Management Agency (FEMA).

The NFIP reauthorization included a number of reforms aimed at making the program more financially and structurally sound, some of which have already started to affect NFIP policy holders in the state. The intent behind the new legislation was to eliminate some artificially low rates and subsidies for policy holders which are no longer sustainable. This may result in certain types of policies seeing a 25-percent rate increase annually until rates reflect true risk.

	# of Subsidized Policies	# of Policies that are NOT Subsidized	% of Subsidized Policies
Bristol	1,020	1,124	48%
Kent	1,254	1,220	51%
Newport	1,458	1,508	49%
Providence	793	1,913	29%
Washington	2,230	3,593	38%
Average Statewide			43%

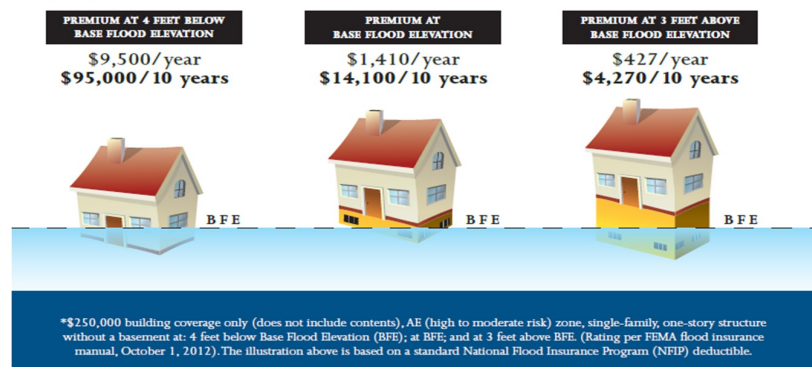
What does this mean for Rhode Islanders?

The reauthorization applies to certain structures built prior to the first flood insurance rate map in a community (Pre-FIRM) as well as policies based on the map in effect when the structure was built, otherwise known as grandfathering. For residents who own properties that are located in flood-prone areas, these changes by Congress may cause flood insurance premiums to increase as much as 25% annually. The new law aims to reflect full risk and phase out subsidized rates for certain types of policies including:

- Secondary homes in a Special Flood Hazard Area (SFHA) currently paying subsidized rates
- Commercial properties in a SFHA currently paying subsidized rates
- Multi-family residences (1-4 units) that have suffered severe repetitive losses (SRL)
- Properties that have incurred flood-related damages in which accumulated claims payments have exceeded the fair market value of the property

In addition, the Federal Emergency Management Agency (FEMA) is currently in the process of coastal re-mapping for all twenty-one (21) coastal communities in Rhode Island. This mapping effort may place some properties into higher risk zones known as Special Flood Hazard Areas (Zones A and V). Properties that fall into these areas will be required to pay significantly higher premiums; Therefore it is important for all property owners to know their current and future flood risk.

Under the Flood Insurance Reform Act of 2012, You Could Save More than \$90,000 over 10 Years if You Build 3 Feet above Base Flood Elevation*



For specific insurance information pertinent to your structure be sure to contact your local insurance agent directly for assistance. For additional information on the Flood Insurance Reform Act of 2012 visit the FEMA website at <http://www.fema.gov/flood-insurance-reform-act-2012> or visit Floodsmart.gov to determine your flood risk.



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January 1, 2013

Who is affected?	What will happen?
Preferred Risk Policy (PRP)	Premiums will increase an average of 1% for PRPs written or renewed on or after October 1, 2013.
Preferred Risk Policy Eligibility Extension (PRPEE)	Extension of Preferred Risk Policy Eligibility.
Homeowners with subsidized insurance rates on non-primary residences/secondary homes.	25% increase in premium rates each year until premiums reflect full risk rates.

October 1, 2013

Who is affected?	What will happen?
<p>Owners of any business property with subsidized premiums (Pre-FIRM buildings in a Special Flood Hazard Area (SFHA)).</p> <p>A business property is any non-residential building that produces income or a building designed for use as an office or retail space, or for wholesale, hospitality, or similar uses.</p>	A premium rate increase up to 25% annually until such time as elevation data supplied on an Elevation Certificate (EC) indicates that the full risk premium rate is lower than the subsidized rates reflecting a 25% increase over the previous year.
Owners of severe repetitive loss (SRL) properties consisting of 1-4 residences with subsidized premiums (Pre-FIRM buildings in a SFHA).	A premium rate increase up to 25% annually until such time as elevation data supplied on an Elevation Certificate (EC) indicates that the full risk premium rate is lower than the subsidized rates reflecting a 25% increase over the previous year.
Owners of any property with subsidized premiums that has incurred flood-related damage in which the cumulative amounts of claims payments exceeded the fair market value of such property (Pre-FIRM buildings in a SFHA).	A premium rate increase up to 25% annually until such time as elevation data supplied on an Elevation Certificate (EC) indicates that the full risk premium rate is lower than the subsidized rates reflecting a 25% increase over the previous year.
Preferred Risk Policy Eligibility Extension new business and renewals	Premiums will increase an average of 20%.
Standard-Rated Policies	Premiums will increase an average of 10%. Specific Zone increase are:
	<ul style="list-style-type: none"> - V Zone (Post-FIRM): 11% - V Zone (Pre-FIRM): 17% - A Zone (Post-FIRM): 6% - A Zone (Pre-FIRM): 16% - AO/AH: 6% - Un-numbered A Zone: 8% - A99: 9% - B, C, or X Zone Standard: 8% - PRP: 1%
All policies	Federal Policy Fee is increasing from \$20 to \$22 for PRP policies and from \$40 to \$44 for non-PRP policies.
New policies	Elimination of No Waiting Period due to Lender Requirement: The 30-day waiting period applies to a new application when the lender determines that a loan on a building in an SFHA that requires flood insurance does not have it.
All policies	A Reserve Fund ratio will be applied to each NFIP policy, except PRPs and GFIPs. The Reserve Fund for policies effective on or after October 1, 2013, is 5% of the total premium.

EXPLANATION OF TERMS:

CBRA	Coastal Barrier Resources Act: structures built, or substantially improved, after 10/1/1983 and located within CBRA designated areas are not eligible for the NFIP
NFIP	National Flood Insurance Program
EC	Elevation Certificate. Must be completed by a Professional Land Surveyor or Engineer
FIRM	Flood Insurance Rate Map
GFIP	Group Flood Insurance Policy
Post-FIRM	A building for which construction or substantial improvement occurred after Dec.13, 1974, or before the effective date of an initial Flood Insurance Rate Map for the community.
Pre-FIRM	A building for which construction or substantial improvement occurred on or before Dec.13, 1974, or before the effective date of an initial Flood Insurance Rate Map for the community.
PRP	Preferred Risk Policy. Available for buildings located in the moderate to low risk areas (Zones B, C, and X)
PRPEE	Preferred risk policies eligibility extension. This is for properties that were mapped into higher risk flood zones A or V—eligibility extension applies until FEMA completes its analysis and implements rate revisions put in place by BW-12
SFHA	Special Flood Hazard Area (Zones A and V)
SRL	Severe Repetitive Loss property. A structure having a minimum of four (4) claims, each over \$5,000, cumulatively adding up to \$20,000 or more